



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 3, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Auditor-Controller

SUBJECT: **PUBLIC HEALTH FOUNDATION ENTERPRISES, INC. CONTRACT
REVIEW - A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE
SERVICE PROVIDER**

We completed a fiscal review of Public Health Foundation Enterprises, Inc. (PHFE or Agency), a Department of Public Health (DPH) HIV/AIDS care service provider.

Background

DPH's Office of AIDS Programs and Policy (OAPP) contracts with PHFE to provide HIV/AIDS family support case management services. PHFE is located in the Fourth District.

At the time of our review, PHFE had two cost reimbursement contracts with OAPP. The County paid PHFE approximately \$420,000 in OAPP funds from June 2006 to February 2008.

Purpose/Methodology

The purpose of our review was to ensure that PHFE appropriately spent OAPP funds in accordance with the County contract. We also evaluated the adequacy of PHFE's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS Resource Emergency Act (CARE Act). In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

PHFE billed OAPP for eligible participants and appropriately recorded and deposited cash receipts timely in the Agency's bank account. However, the Agency needs to monitor its subcontractor billings to ensure they are appropriate.

The details of our review are attached.

Review of Report

We discussed our report with PHFE on December 9, 2008. In their attached response, the Agency agreed with our finding and recommendation. We also notified OAPP of the results of our review.

We thank PHFE for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Mark Bertler, President, CEO, Public Health Foundation Enterprises, Inc.
Azhar K. Qureshi, MD, Chairman, Public Health Foundation Enterprises, Inc.
Public Information Office
Audit Committee

**HIV/AIDS CARE SERVICES
PUBLIC HEALTH FOUNDATION ENTERPRISES, INC.
FISCAL YEAR 2006-2007 AND 2007-2008**

ELIGIBILITY

Objective

Determine whether Public Health Foundation Enterprises, Inc. (PHFE or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for 13 program participants that received services through two PHFE's subcontractors from March 2007 to February 2008 for documentation to confirm the participants' eligibility to receive program services.

Results

PHFE's subcontractors maintained appropriate documentation to support the participants' eligibility to receive program services.

Recommendation

There are no recommendations for this section.

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's bank reconciliations for October 2007.

Results

PHFE properly recorded and deposited OAPP payments timely into the Agency's bank accounts. The Agency also appropriately completed monthly bank reconciliations.

Recommendation

There are no recommendations for this section.

EXPENDITURES

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed accounting records and supporting documentation for a sample of 11 non-personnel expenditures transactions billed to OAPP from March 2007 to November 2007, totaling \$27,364.

Results

PHFE did not obtain supporting documentation from their subcontractors such as, timecards, payroll registers, receipts/invoices, as required in the agreements. Therefore, we contacted the two subcontractors and requested expenditure documentation for one month. Generally, the subcontractors expenditures were allowable and supported by documentation.

Recommendation

1. PHFE management monitor subcontractor billings and ensure charges are appropriate and supported.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform testwork in this area as the Agency did not purchase fixed assets with OAPP funds.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced July 2007 through November 2007 payroll expenditures for two (50%) of the Agency's program employees, totaling \$2,850 to the Agency's payroll records and time reports. We also reviewed their personnel files.

Results

PHFE appropriately charged payroll expenditures to the OAPP program and maintained personnel files as required by the County contract.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in accordance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and November 2007 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

Results

PHFE's Cost Allocation Plan was in compliance with the County contract.

Recommendation

There are no recommendations for this section.



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December 23, 2008

County of Los Angeles
Department of Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2706

RE: Public Health Foundation Enterprises, Inc. Contract Review
HIV/AIDS Care Services, FY 2006-2007 and FY 2007-2008

To: Wendy L. Watanabe, Acting Auditor-Controller

In reference to the auditor's letter, we are responding to the following results and recommendations:

Results

PHFE did not require subcontractors to provide support for the amount invoiced, such as timecards, payroll registers, receipts/invoices, etc. As a result, PHFE did not have sufficient documentation to support payments made to subcontractors. PHFE's subcontract agreements require subcontractors to provide supporting documentation with their monthly invoices.

Corrective Action

PHFE will more consistently request said documentation to ensure charges are appropriate and are based on actual costs incurred.

If you require further information, I can be reached at (562) 692-3484, ext.242.

Sincerely,

Susan Vacko
VP, Director of Operations